

Gateway Region Urban Sprawl: Metro East Sustainable Growth Resources Group

August 3, 1999

MEETING NOTES

The notes provided below document the main points and meeting progress that were offered during the meeting on August 3, 1999. The notes highlight and summarize the key topics and issues that were discussed at the meeting. The following sections provide an overall summary of the meeting. Selected attachments are provided in this document.

On August 3, 1999 a steering committee was reconvened to address the issue of sustainable growth in Metro East St. Louis. The meeting was held at St. Mary's Hospital in East St. Louis, Illinois. Of the six invited participants, four were in attendance. The U.S. Environmental Protection Agency (EPA) had three representatives from the Region V, Chicago, IL offices. A list of attendees is provided in Attachment A. The meeting was scheduled for four hours, 12:00p.m. – 4:00p.m. The purpose of the meeting was to develop a strategic direction given the new charge (mission).

Mr. Tim Feather and Mr. Michael Beezhold, facilitators with Planning and Management Consultants, Ltd. (PMCL), began the meeting with introductions (e.g., name and affiliation) by the members of the steering committee and the EPA. Mr. Feather then provided the agenda for the meeting. The agenda is presented in Attachment B. The meeting goal was as follows:

“based upon charge established at last meeting, review products and assets to form a strategic direction for the larger forum aimed at supporting sustainable growth in Metro-East.”

On the agenda was a status report regarding the East-West Gateway activities to be presented by Ms. Judis Santos. Ms. Santos was unable to attend the June 29, 1999 meeting, thus this agenda item was carried over. Also on the agenda was an update on Illinois' Smart Growth Task Force and review of selected municipal comprehensive plans. Lastly, the committee was to lay a foundation for the future direction of the Metro East Sustainable Growth Resources Group in light of the new charge. The charge is as follows:

“The Metro East Sustainable Growth Resources Group is comprised of local, state, and federal organizations. Its mission is to gather, develop, and disseminate information regarding growth issues in the Metro East, Illinois area.”

A member of the group questioned the strength of the charge. It was noted that there are many actions occurring in the Metro-East region that need to be addressed immediately. Other members noted that this was not an advocacy group to take sides of issues. The strength of the group and its charge is that many perspectives and interests are gathered to address sustainable growth issues in the Metro-East region.

Mr. Andy Anderson, EPA, noted that a subgroup of the Sustainable Growth Resources Group would be addressing the issue of stormwater in the Metro East region.

East-West Gateway Coordinating Council Status

Ms. Santos provided an overview of the East-West Gateway Coordinating Council’s (EWGCC) purpose, activities, and organization. Ms. Santos noted that much of the information she would be presenting could be viewed in more detail at the EWGCC’s web site www.ewgateway.org. The premise of the EWGCC was to provide a forum for cooperative problem-solving and coordinated development of regional policy. The EWGCC is comprised of a Board of Directors and a number of committees including but not limited to the Air Quality Advisory Committee, Clean Cities Steering Committee, and the Transportation Planning Committee.

Ms. Santos presented several of the EWGCC’s initiatives. These initiatives include:

- Transportation Corridor for Economic Renewal (TRACER)
- Listening Tours
- Regional Environmental Information System
- Initiative for a Metropolitan Community (IMC)

The TRACER program’s primary purpose is the economic revitalization of a one-mile radius corridor along the MetroLink from Lambert Airport, Missouri to East St. Louis, Illinois. A map of the TRACER program study area as well as brief introduction to the program is presented in Attachment C. The TRACER program is concerned with “how to make better decisions in improving communities in the areas of work, health, access to transportation, learning for everyone (adults and youth), and the environment.

The Listening Tours were a series of twelve meetings with the objective of identifying the top ten environmental issues in the region. The Listening Tours consisted of three phases: (1) community surveys, (2) community focus groups, (3) and addressing growth along the MetroLink. A total of 603 community surveys were conducted and focus groups were held with both residents and professional entities. From this effort, it

was discovered that the communities need information and tools to help them improve their environment. One such tool was the Regional Environmental Information System.

The third program presented by Ms. Santos is the Initiative for a Metropolitan Community. The purpose of the (IMC) is

“to carefully identify those areas where local governments can act with common purpose to develop fact-based analysis which will lead to sound regional strategies and to recommend specific actions to be taken at the local and regional level which might implement those strategies.”

The study area of IMC covers an eight county area of which three are in Illinois. The premise of the IMC is to have citizens as the decision-makers. A product of the IMC will be a regional “blueprint.” The blueprint will focus on smart growth principles. More information regarding the purpose and activities associated with IMC can be found at the web site provided above. Ms. Santos noted that in the future this effort will require a number of meetings with stakeholders in the region. A staff member of the EWGCC identified as a possible presenter to the group regarding the “blueprint” is David Boyd.

A couple of the group members raised issue with how the EWGCC was coordinating (or not coordinating) with Metro-East communities and organizations. A member noted that East St. Louis is typically an after thought in such efforts and little effort is spent in receiving the citizens of East St. Louis input. Another member noted that although the EWGCC tried to solicit input from entities and organization in Metro-East many of the organizations are tired of meetings and the continued study of the region with no action. Thus, many of the organizations have become selective with whom they meet or allow to present at their meetings. It was also noted that it is not perceived that TRACER is giving East St. Louis an equal footing with the other communities in the program. A member noted that representatives of the EWGCC needed to get out into the communities in addition to attending and presenting organization meetings to get support for the EWGCC’s efforts. Mr. James Jones, representative of the East St. Louis Community Action Network (ESL CAN), stated that there is a list of “key” points of contact that could be provided to EWGCC to receive better input and support in the Metro-East region. The group noted that a representative of the EWGCC should be attending the Sustainable Growth Resources group meetings.

The group asked Ms. Santos how this group could address the EWGCC. Ms. Santos noted that the group could attend and address the appropriate committees of the EWGCC. The schedules for these meetings are provided at the web site presented above. Another member asked what authority the EWGCC had in implementing the results of these efforts as well as funding. Ms. Santos replied that EWGCC only has authority regarding transportation issues.

Illinois Governor's Office Initiatives

The Governor's Office has several initiatives regarding smart growth and protection of natural resources. These initiatives include the (1) Open Lands Initiative, (2) Smart Growth Initiative, and (3) Illinois First. There was no discussion at this meeting regarding the latter initiative. The Open Lands Initiative (OLI) has \$160 million in funding available over four years. One participant predicted that most of that funding will go to communities in the Chicago region. Most communities in the Chicago region have made greater progress in identifying areas for acquisition compared to other regions in the state. It was also noted that these are wealthier entities in Chicago (i.e., park districts) than those in Metro-East. Jim Garner, Illinois Department of Natural Resources (DNR), is in charge of the OLI. The OLI is closely related to the Smart Growth Initiative.

To date, funding has not been approved for the Smart Growth Initiative. The Governor's Office is awaiting a task force report. Illinois State Representative Ricca Slone is heading up the task force. Ms. Slone will listen to communities and organizations to develop a task force report to provide to the Governor's Office.

Metro-East Comprehensive Plans

At the previous meeting the group in their education efforts wanted to review comprehensive plans from the region. Ms. Teresa O'Keeffe offered to bring copies of comprehensive plans and respective maps for those municipalities that have such plans in the Metro-East region. Unfortunately, Ms. O'Keeffe was unable to attend this meeting. However, Ted Shekell, Director of Planning for the City of O'Fallon, Illinois, was in attendance and was able to provide a status report of the City's latest update to its comprehensive plan.

Mr. Shekell stated that historically most comprehensive plans were general in nature. The heart of a comprehensive plan includes the land use map and development policies. The City of O'Fallon is currently updating its comprehensive plan last completed in 1993. These updates are conducted every five years. He noted that the old plan gave little attention to environmental issues. The current plan will address wetlands and riparian corridors, flooding, and preservation of trees for economic and intrinsic values. In the current comprehensive plan, more focus is given to the aesthetics and historical preservation of the community. He also noted that new development would be encouraged to occur on old property as opposed to developing new properties. Developing new properties has a significant impact on O'Fallon's infrastructure needs.

Mr. Shekell stated that comprehensive plans are also social plans. These plans address the demographic mix of residents. They also address the issue of crime. These are all components of O'Fallon's comprehensive plan. The plan includes population

projections among age groups and growth areas. Also included are projections for market place areas. He stated that the population of O'Fallon is currently approximately 20,000. The population is projected to be 40,000 by the year 2018. Mr. Shekell noted that if the City of O'Fallon was "home-ruled" it could be stricter with development regulations. A community can request to be "home-ruled" if the population is greater than 25,000.

Mr. Shekell stated the O'Fallon is in the Silver Creek watershed. Thus, O'Fallons stormwater flows east, away from St. Louis. However, the flow of Silver Creek eventually makes its way to the Mississippi River. He noted that subdivisions in O'Fallon must provide stormwater retention at 100-year flood levels. Stormwater detention areas take prime real estate out of production. Thus, it can not be developed for a higher economic purpose.

Mr. Shekell briefly discussed several of the City's boundary issues. They have experienced encroachment issues with Scott Air Force Base. There is a natural boundary, Silver Creek, to the east that separates O'Fallon from Lebanon. The communities of Shilo and O'Fallon have grown together on the south boundary. There is a jurisdictional boundary agreement on the west boundary. On the north boundary is Madison County that has a 1.5 mile buffer in which plans must be reviewed.

Lastly, Mr. Shekell noted that the state should get involved in smart growth planning in Illinois. He used the example of the State of Tennessee. He noted that the State of Tennessee provided incentives for communities to implement smart growth planning. Also, Tennessee used smart growth legislation to cast light on plans done in secret or with little public input.

The group noted that the following communities also have comprehensive plans: Edwardsville (updating), Shilo (available to group), Glen Carbon (just finished), and Granite City (not used). A member asked Mr. Shekell how a regional plan would impact the local plans such as the City of O'Fallon. Mr. Shekell stated that the City would review the strategies presented in the regional plan. He noted that a regional plan would be tough to pull together. These plans are the embodiment of the citizens' will. There is history and culture in these individual plans. It was noted that the EWGCC "blueprint" would result in an advisory document addressing regional policy and land use planning. East St. Louis in their planning efforts is utilizing the planning expertise of the Neighborhood Technical Assistance Program.

Strategic Direction (Cornerstones)

It is important from an operational perspective that the Sustainable Growth Resources Group focus in areas that it can be effective. Sustainable growth is a very complex topic with many philosophies, themes, and opportunities that could be addressed. Given the discussions from earlier in the meeting along with the reaffirmed

charge, the facilitation team led the discussion of what direction the group could take. Three cornerstones to best focus the group's attention and efforts in support of the mission were suggested by the facilitation team as follows:

1. Illinois Smart Growth Initiative
2. Education
3. Planning

These three cornerstones support the mission of the group to gather, develop, and disseminate information regarding growth issues in the Metro East, Illinois area. A graphical illustration of these cornerstones supporting the mission is displayed in Figure 1. The illustration depicts a number of issues that the cornerstones can address in support of the mission. The arrows indicate an interaction among the three cornerstones.

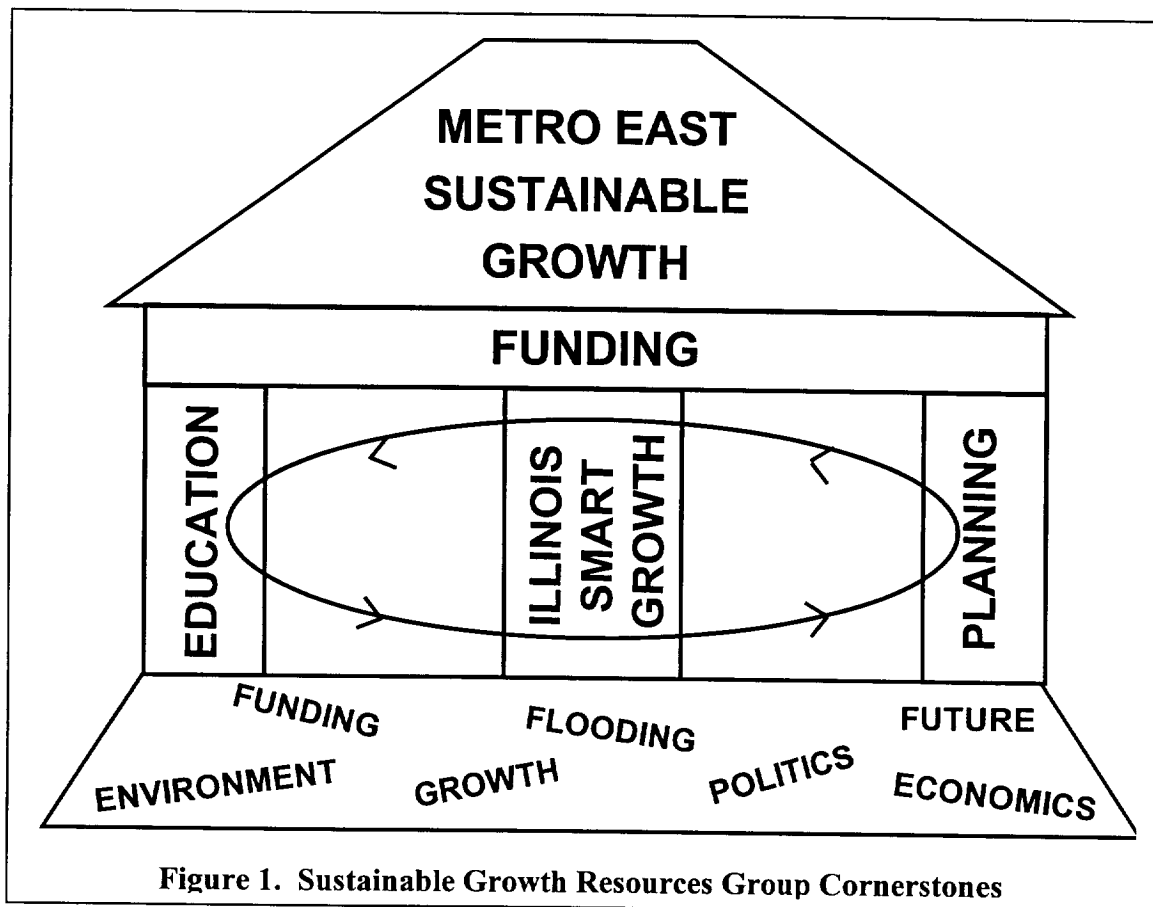


Figure 1. Sustainable Growth Resources Group Cornerstones

Funding is an issue that is important across all cornerstones. Better understanding of the Illinois Smart Growth Initiative may result in better planning as well as future funding. The cornerstone of education has several emphases including the education of the Sustainable Growth Resources group. Once the group is knowledgeable about the issues, it is better prepared to educate the communities. The third cornerstone, planning, is essential to help local communities better plan for the future. Planning would include the review of current plans and model plans as well as addressing the need for a regional

plan. This planning cornerstone is viewed as an essential direction leading to a meaningful impact in the Metro-East region.

The steering committee at this point was not ready to address the larger group at this point. A member noted that specific objectives and actions should be established for each of the three cornerstones before presenting accomplishments and future directions to the larger group. Representatives of the EPA presented information on Better America Bonds. This information is presented in Attachment D. It was noted that EPA would have more resources to help communities if the Better America Bonds program was approved.

Next Meeting

The steering committee decided that the committee needed to meet again before presenting their results to the larger Sustainable Growth Resources group. Again, they noted that the steering committee size and membership was able to work efficiently together. However, the committee noted that to best represent the Metro-East region within the steering committee representatives from St. Clair and Madison Counties should be included in the discussions. The representatives identified were Mike Mitchell and Joe Parente of St. Clair County and Madison County, respectively. Another individual to invite to the next meeting is Ed Weilbacher, representative of the Southwest Illinois Resource Conservation and Development Council.

From the discussions during the meeting, the group identified necessary presentations to support their mission. These presentations included the following:

- EWGCC “blueprint”
- Illinois Smart Growth Initiative
- Smart growth expert (University of Illinois)
- SWIMPAC regional land use planning
- Local comprehensive plans
- Watershed maps

The next meeting is to be held on the morning of September 16, 1999 from 8:00 a.m. until 11:00 a.m. The meeting location is the Ancilla conference room at St. Mary’s Hospital, East St. Louis, Illinois. The EPA and PMCL are responsible for developing the agenda based on the recommendations of the committee.

ATTACHMENT A

ATTENDANCE

GATEWAY REGION URBAN SPRAWL: METRO EAST SUSTAINABLE GROWTH RESOURCES GROUP

August 3, 1999 Meeting Participants

Name	Address	Phone	Fax	Email
Carolyn Kehoe	Sierra Club 120 N. Douglas Avenue Belleville, IL 62220	618-235-6269	618-235-6269	Kehoe@apci.net
Kathy Andria	Conservation Alliance 1306 St. Louis Street Edwardsville, IL 62025	618-656-3994		Kandria@ezl.com
James Jones	ESL CAN 348 R Collinsville Avenue East St. Louis, IL 62201	618-271-9605	618-271-9651	jjonesesl@hotmail.com
Gordie Blum	U.S. EPA, Region 5 77 West Jackson Blvd. Chicago, IL 60604	312-353-8501	312-353-1155	Blum.gordon@epamail.epa.gov
Janet Haff	U.S. EPA, Region 5 77 West Jackson Blvd. Chicago, IL 60604	312-353-7923	312-353-4788	Haff.Janet@epa.gov
Judis Santos	East-West Gateway Coordinating Council 10 Stadium Plaza St. Louis, MO 63102-1714	314-421-4220	314-231-6120	Judis.Santos@ewgateway.org
Tim Feather	Planning and Management Consultants, Ltd. 6352 S. Highway 51, PO Box 1316 Carbondale, IL 62903	618-549-2832	618-529-3188	Timf@pmcl.com
Mike Beezhold	Planning and Management Consultants, Ltd. 6352 S. Highway 51, PO Box 1316 Carbondale, IL 62903	618-549-2832	618-529-3188	Mikeb@pmcl.com
Andrew Anderson	U.S. EPA, Region 5 77 West Jackson Blvd. Chicago, IL 60604	312-353-9681	312-886-5824	Anderson.andrew@epa.gov
Ted Shekell	Planning Director City of O'Fallon 255 South Lincoln Avenue O'Fallon, IL 62269	618-624-4500 ext. 4	618-624-4534	Ofalpz1@apci.net

ATTACHMENT B

AGENDA

Meeting Agenda

Gateway Region Urban Sprawl – Metro East Sustainable Growth Resources Group
August 3, 1999 -- 12:00 noon to 4:00 pm
St. Mary's Hospital Conference Room -- East St. Louis, Illinois

Meeting Goal

Based upon charge established at last meeting, review products and assets to form a strategic direction for the larger forum aimed at supporting sustainable growth in Metro East.

ACTIVITY

LEAD PLAYERS

Welcome and Announcements	Tim Feather, PMCL Andy Anderson, EPA
Introductions	All
Review of Last Meeting	Tim Feather and Mike Beezhold, PMCL
Status of E-W Gateway Projects	Judis Santos, East-West Gateway Coordinating Council
Update on Illinois Smart Growth Task Force	Kathy Andria, Conservation Alliance
Selected Mapping and Planning in Metro East	Teresa O'Keefe, HBA
Discussion of Selected Issues	All
Formation of Group Cornerstones	Tim Feather All
Action Items/ Next Steps	Tim Feather All
Meeting Closure	Tim Feather Andy Anderson

Group Charge: *The Metro East Sustainable Growth Resources Group is comprised of local, state, and federal organizations. Its mission is to gather, develop, and disseminate information regarding growth issues in the Metro East, Illinois area.*

ATTACHMENT C
TRACER

Community Update: Improving our Region One Community at a Time.....

TRACER Program.... Transportation Corridor for Economic Renewal

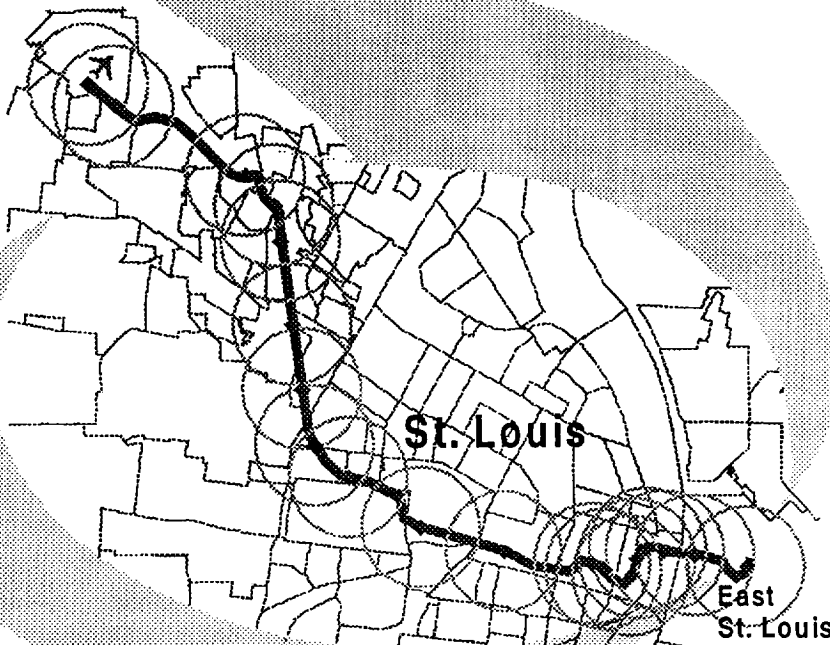
May, 1999

What is TRACER and How can it help us?

Making Better Decisions To Ensure a Healthy & Prosperous Quality of Life

TRACER is a program that looks at HOW to make better decisions in improving communities in the areas of work, health, access to transportation, learning for everyone (adults and youth), and the environment.

The TRACER Program is different from other programs because it 1) concentrates on improving communities within the **Metro-Link** areas, 2) works on how to get a much better flow of information to make SMARTER decisions and 3) establishes creative partnerships with federal, state, local, non-profit agencies, and universities.



TRACER area connects multiple municipalities in Missouri and Illinois: an 18 mile area of the region's urban core.

LOOK INSIDE!

Challenges for the TRACER area	2
Strategies and Activities	3
Summer Series	4
On the Right Track? You Tell Us!	4

Problems and Challenges..." *Why should we focus on revitalizing communities within the TRACER area?"*

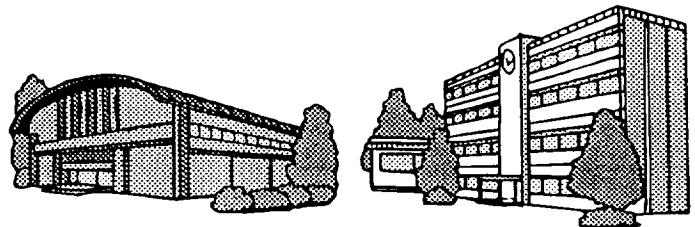
CHALLENGES

- **Unemployment rate:** Highest unemployment within the region. Total of 7,400 individuals were 'officially' unemployed (1997).
- **Poverty Level:** Nearly 41% of all children who live in the corridor are living in poverty (family income less than \$14,763).
- **Median household income:** One-third that of the rest of the region. (For example, in 1990 household income in TRACER area was less than \$15,890 — *half the regional median*)
- **Child Health and Low birth weight:** (less than 5 lbs. 8oz.) In three zip codes, low birth rate was at least *twice as worse* than that of the nation.
- **Child Health: Lead Paint Poisoning** — Public Health Department reported highest rate of lead paint poisoning/exposure of children within the region (1996).
- **Population Loss:** Between 1970 and 1990 the TRACER area lost 39 percent of their population — from 378,690 down to 231,623 persons.
- **Abandoned and underutilized buildings:** Within the City limits of St. Louis, there are approximately 829 tax delinquent properties and 1,484 condemned properties.

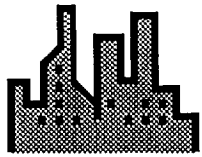
Information differs from neighborhood to neighborhood. Sources include U.S. Census, MO and IL Dept. of Health, and local jurisdictions.

STRENGTHS

- **Cultural, Historic and Recreational Hub:** A number of sites such as the Convention Center, Busch Stadium, Forest Park, Museums (History, Art, St. Louis Science Center) attract local and tourist attention.
- **Universities and Schools:** There is a large concentration of academic institutions along the TRACER area that have formed partnerships to improve communities. Some of these universities include Washington University, St. Louis University, and University of Missouri-St. Louis.
- **Community Based Organization:** A multitude of health and social service organizations are concentrated within the TRACER area.
- **Major Employment Center:** There were nearly one-half million jobs in 1996. Major companies located within the TRACER area are awaiting employment of trained individuals.



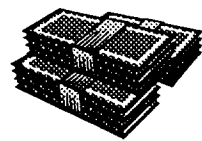
TRACER REVITALIZATION STRATEGIES SEEK TO:



1) Improve Employment Base



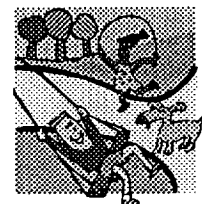
2) Better Relationships that connect employers with job-seekers



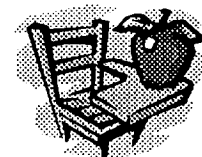
3) More money! Increase residents' disposable income



4) Improve home ownership rates



5) Strengthen social capital and community organization



6) Create "life long learning" for all ages



7) Link and leverage efforts to restore environmental quality



CURRENT ACTIVITIES:

- ◆ 'WorkLink': Trains you, gets you a job, helps you keep a job
- ◆ Construction and Building trade relationship
- ◆ 'Bridges to Work' — Provide transportation to job ready adults
- ◆ "Access to Jobs" — Provides transportation for low income people to get to work
- ◆ Downtown Development Action Plan
- ◆ "Empowerment Zone": Improvement projects in neighborhoods (tax credits and development)
- ◆ 'Transit-oriented development' — commercial, cultural, beautification projects (partnerships with numerous agencies)
- ◆ 'Neighborhood Information Exchange' — Neighborhood centers where you can find out about regional job opportunities
- ◆ 'Better Family Life' — Cottage industries in African-American neighborhoods
- ◆ Savings account program for former welfare recipients who are entering workforce
- ◆ New rental unit developments in TRACER neighborhoods
- ◆ 'Officer Next Door' program — Police officers buy homes for 1/2 price and move into neighborhoods along TRACER area
- ◆ 'St. Louis Home Ownership Collaborative' - Home ownership education, lending, and financial incentives
- ◆ University —Community outreach & Employer —sponsored home ownership incentive program (Washington University)
- ◆ 'Urban Family and Community Development Program' trains social service professionals to do their jobs' smarter — Washington University & University of Missouri-St. Louis)
- ◆ 'Family Investment Trust' — Better coordinated service delivery through partnerships of seven state agencies.
- ◆ 'Neighborhood Technical Assistance Center' in E. St. Louis — Community goal setting, and future vision planning
- ◆ 'Bridge' Program — High school program to enhance math, science and language opportunities (University of MO-St. Louis)
- ◆ 'Neighbor-to-Neighbor' — Center for Community and Neighborhood Research (St. Louis University)
- ◆ Create creative new linkages between schools/universities, senior learning centers, job centers, communities, libraries
- ◆ 'HOPE' Program — Identify environmental issues and residents with leadership potential to help solve them (UMSL)
- ◆ 'Neighborhood Renaissance Planning Team' — Learn about existing resources and solutions for abandoned buildings
- ◆ Information that communities need to improve their environment (East-West Gateway, EPA)

Mark Your Calendar!

TRACER is hosting a summer discussion series on the *Environment*

- ☐ Tuesday, June 15 (10 am – noon)
- ☐ Wednesday, July 7 (10 am – noon)
- ☐ Wednesday, June 23 (10 am – noon)
- ☐ Wednesday, July 14 (10 am – noon)
- ☐ Wednesday, June 30 (1 pm – 3 pm)

What kinds of information do you need to improve these issues?

- ☐ Abandoned Buildings
- ☐ Water and Air Pollution
- ☐ Flooding
- ☐ Water and Sewer
- ☐ Hazardous Waste
- ☐ Safety

Please come!

To make your reservation and for more information,
call Judis Santos 314-421-4220 ext. 234.

East-West Gateway Coordinating Council
10 Stadium Plaza, St. Louis.

Are We On the Right Track?!

Please fill out the “feedback” form by May 26. (*enclosure*)

 East-West Gateway Coordinating Council
10 Stadium Plaza
St. Louis, MO 63102-1714

(314) 421-4220
(618) 274-2750
FAX: (314) 231-6120

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East-West Gateway Coordinating Council is the St. Louis region's Metropolitan Planning Organization and Council of Governments.

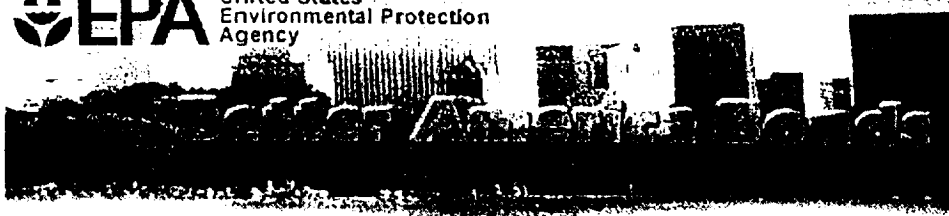
The Council provides the forum for regional partners (local government, state, federal, local agencies and citizens) to engage in discussions and promote multiple stakeholder decision-making that advances both local and regional quality of life.

We develop plans for areas ranging from transportation and regional planning to workforce development and environmental policy.

We're on the Web!
<http://www.ewgateway.org>

ATTACHMENT D

Better America Bonds



Potential Uses for
Better America
Bonds

Financial Benefits
of Better America
Bonds

Talking About
Better America
Bonds

Livability Agenda

Frequently Asked
Questions

Better America Bonds offer a creative way for states and communities to preserve open space, create parks, clean up brownfields and improve water quality.

Across America, communities are searching for ways to keep growing while preserving a high quality of life. Among their concerns are revitalizing older neighborhoods, curbing water pollution, and protecting farmland and green space close to home.

Last fall, 240 "green" ballot initiatives were considered in communities across the country. More than 70 percent of these measures to protect open space and enhance local livability were adopted, authorizing \$7.5 billion in state and local spending. These communities were responding, in part, to the astonishing loss of open space that has occurred across the nation. In one 10 year span, 4.3 million acres of prime and unique farmland were lost. That's a loss of nearly 50 acres every hour, every day.

This loss of land has environmental consequences. For example, a one acre parking lot generates 16 times more polluted runoff than a meadow. This runoff washes toxic chemicals and other pollutants into our waters, lakes, and coastal areas, making them unfit for the wildlife that depend on them and unsafe for the families who want to enjoy them.

This spiraling growth has also made our commutes longer and more tedious. We are driving our cars almost 60 percent more than in 1980. EPA estimates that all this extra driving in 10 to 12 years will begin to overtake all the gains we have made in reducing air pollution from vehicles.

Americans can lose as much as two full work weeks a year stuck in traffic at a cost to the economy in wasted time and fuel of about \$74 billion.

The Clinton-Gore Livability Agenda - Better America Bonds

As a result President Clinton and Vice-President Gore have proposed a "Livability Agenda" that will give our states and local communities tools they can use to create healthy, livable communities and thriving economies.

The agenda includes a large transportation investment – \$1.6 billion – to reduce congestion, encourage transit and improve air quality, and grants to communities for smart growth planning and a proposal to create a new financing tool called Better America Bonds. These bonds will generate \$9.5 billion in bond authority to preserve open space, protect water quality and clean up brownfields. Communities will pay zero interest and the principal is due in 15 years. Bond holders would receive tax credits from the federal government equal to the amount of interest they would have received from the communities. This tax credit bond provides a deep

Region 5 Point of Contact
Marilou Martin
312-353-9660

subsidy for communities as compared to a traditional tax exempt bond. For example, the issuer of a million dollar bond saves more than \$700,000 over fifteen years by issuing a Better America Bond instead of a tax-exempt bond. (This assumes annual payments into a sinking fund at 5%.)

Better America Bonds can be used for three purposes

Preserve and Enhance Open Space: State, Tribal and local governments can create, restore or enhance parks, preserve green spaces, and protect threatened farmland and wetlands. Land can be protected either by acquiring title or purchasing permanent easements.

Protect Water Quality: Rivers, lakes, coastal waters, and wetlands – and drinking water sources – can be restored or protected through measures to reduce polluted runoff, the largest remaining threat to the nations' waterways. Eligible projects to curb runoff include purchase of sensitive lands, wetlands restoration, settling ponds, and the creation of planted or forested buffer strips along the waterways.

Clean Up Brownfields: Pressure to develop green space can be eased through cleaning up and redeveloping brownfields – abandoned, contaminated industrial sites. Communities can assess and clean up brownfields for use as open space or for redevelopment in cases where the brownfields is owned by a local government due to abandonment.

These bonds offer a creative way for states and communities to preserve open space, create parks, clean up brownfields and improve water quality. Local communities can work together in partnerships with land trust groups, environmentalists, business leaders and others to propose a creative and innovative solution to their community's development challenges. Better America Bonds is about the simplest law you could write to do the most good. It's just a quick addition to the tax code.

This is not a big government program. The federal government will not purchase one square inch of land. Nor will it micromanage local zoning and land use decisions. Our states and communities will build this legacy themselves. All decisions will be made at the state or local level. We're just providing them new tools they need to grow in ways that are best for them.

How the Better America Bonds would be awarded

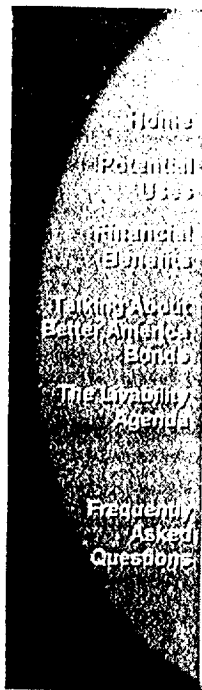
Bonding authority will be distributed directly to the communities through a competitive process. The Better America Bonds program will be administered in a similar manner as EPA's Brownfields program, which has helped 250 communities leverage more than \$1 billion to clean up and redevelop abandoned properties – and created thousands of jobs as well. All of this without a single new rule or regulation.

To become eligible for a bond allocation, state, local and tribal governments will submit proposals to the Environmental Protection Agency for review in consultation with several other agencies with relevant programs and expertise. Preference will be given to regional

proposals that reflect collaborative planning by neighboring communities, particularly partnerships among cities, suburbs and rural areas. EPA will engage in an extensive outreach process with communities and stakeholders to gather input as to how best to structure the program and its application criteria.

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Last Updated on June 21, 1999



Frequently Asked Questions

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GENERAL PROGRAM/IMPLEMENTATION QUESTIONS

1) What are Better America Bonds?

Across America, communities are searching for ways to keep growing while preserving a high quality of life. Among their concerns are revitalizing older neighborhoods, curbing water pollution, and protecting green areas, farmlands and other open space close to home. While each community must chart its own destiny, the federal government can be an important partner in building healthy, livable communities for the 21st century.

To provide communities with new resources to achieve their "smart growth" objectives, the Clinton-Gore Administration's proposed 2000 budget includes a new program that will provide \$9.5 billion in bonding authority to state, local, and tribal governments over 5 years.

Communities will have access to zero-interest financing for smart growth projects because investors who buy these fifteen year bonds will receive tax credits in lieu of interest. The tax credits would total approximately \$700 million over five years. Communities would pay back the principal at the end of the 15 year term of the bond.

To help communities preserve green space for future generations, protect public health, and provide for greater economic development, Better America Bonds can be used for three purposes:

- **Preserve and Enhance Open Space:** State, Tribal and local governments can create, restore or enhance parks, preserve green spaces, and protect threatened farmland and wetlands. Land can be protected either by acquiring title or purchasing permanent easements.
- **Protect Water Quality:** Rivers, lakes, coastal waters, and wetlands -- and drinking water sources -- can be restored or protected through reducing polluted runoff, the largest remaining threat to the nations' waterways. Eligible projects to curb runoff include purchase of

sensitive lands, wetlands restoration, settling ponds, and the creation of planted or forested buffer strips along waterways.

- Clean Up Brownfields: Pressure to develop green space can be eased through cleaning up and reusing brownfields -- abandoned, contaminated industrial sites. Communities can assess and clean up brownfields for use as open space or for redevelopment in cases where the brownfield is owned by the local government.

2) Why is this program necessary? What are the environmental benefits and needs being addressed by the Better America Bonds program?

The most basic need that many communities have clearly expressed is their desire for more livable communities - green spaces that are preserved, less traffic congestion, improved water and air quality, and enhanced quality of life.

As evidence of this demand, in the 1998 election, 240 "green" ballot initiatives were considered in communities across the country. More than 150 of these measures to manage growth and enhance local livability were adopted. Those ballot initiatives authorized an additional \$7.5 billion in state and local spending.

The \$9.5 billion in bonding authority for state and local governments to build more livable communities will help to amplify and support these state and local efforts already underway and help them create new programs by providing new resources for communities to use in ways that help them grow the way that is best for them.

In terms of brownfields cleanup, a recent report by the U.S. Conference of Mayors pointed to a lack of capital for local governments as the leading barrier to the cleanup and reuse of brownfields. Better America Bonds would provide additional financing to enable communities to move forward with their brownfields cleanup and economic redevelopment plans.

3) Who is eligible for bonding authority through the Better America Bonds program?

State, tribal and local (city and county) governments would be able to issue Better America Bonds to the extent of authority allocated by EPA. 501(c)(3) organizations that are tax exempt for environmental purposes could work in partnership with those governments to submit applications for bonding authority.

4) What process will a community need to follow to receive bonding authority?

First, EPA, in conjunction with other departments and

agencies and in consultation with state and local governments and stakeholder groups, would write flexible criteria concerning what kind of projects will be eligible to receive bonding authority and explaining the application process. This information will be made widely available to communities. Communities could then evaluate their local needs that would be eligible for Better America Bonds funding, and send an application package for bonding authority to EPA. Once applications were collected, EPA would take the lead with other agencies to review them to determine which communities would receive bonding authority. EPA could authorize a community's entire proposal, a portion of it, or none of it. We do not yet know how often (quarterly, annually, "rolling admissions") bonding authority will be awarded.

5) Why is this a competitive process and not a state allocation/formula program?

To become eligible for a bond allocation, state, local and tribal governments will submit proposals to EPA for review in consultation with several other federal agencies with relevant programs and expertise. This panel will award bond allocations to the communities with the strongest applications. There are several reasons why a competitive process is used rather than a state by state allocation.

First, some states have greater needs and desires for participation in the Better America Bonds program than others. Rapid growth is not an issue to the same degree in all states. A competitive process will help ensure that resources flow to the communities that need it most.

Second, to make it easier for communities to participate in this program, it is important that they have direct access to the resources. This program should be flexible, not one size fits all. A competitive process allows states, counties, tribes, cities -- all communities -- to apply directly for bonding authority, and it allows them to create proposals that are best suited to their local needs.

Third, a competitive process will encourage stronger, more creative and innovative applications from communities across the nation.

6) What will the selection criteria be for awarding Better America Bonds?

Because this program has not yet been authorized by Congress, specific selection criteria have not been developed. The three general categories of eligible uses for the bonding authority are open space preservation, water quality protection, and brownfields cleanup. Once this program is authorized, the government panel chaired by EPA will write more specific application criteria, after an extensive outreach process that will involve other federal agencies, Congress, state and local governments, community and conservation

organizations, the financial community, real estate interests, the business and development communities, and other stakeholders. We hope to model the criteria after our Brownfields pilot grants program, in which EPA has provided resources and technical assistance to 250 communities through flexible, easy to use guidelines, without a single rule or regulation being written. That program has provided almost \$50 million to communities, leveraged over \$1 billion, and created thousands of jobs.

Better America Bonds will include three important principles. First, the proposals will need to fulfill at least one of the three qualified uses for bonding authority. Second, strong community support will be critical. Third, preference will be given to regional proposals that reflect collaborative planning by neighboring communities, particularly partnerships among cities, suburbs and rural areas.

7) Will the federal government own any of the land purchased under this program?

Absolutely not. The federal government is merely providing resources so that communities can purchase land, clean up brownfields, and improve water quality in ways that work best for them.

8) What assurances are there that the projects funded under Better America Bonds will continue to meet the goals for which they were awarded?

As with other types of bonds, the Internal Revenue Service will monitor communities' compliance with the requirements of the program. During the fifteen year term of the bond, if 95 percent of the proceeds fail to be used for a qualifying purpose or if the use changes to a disqualified use, no further credits would accrue and issuers would be obligated to reimburse the federal government for any credits accruing prior to that date. If a settlement cannot be reached with the issuer, the federal government would have the right to recover past credits from the bondholders. Problems like this are very rare with respect to tax-exempt bonds and we expect that to be the case with Better America Bonds.

9) What are the time frame features of the Better America Bonds program?

EPA is charged with allocating \$1.9 billion in bonding authority per year for five years. Unallocated authority in any year may be allocated in the following year. Bond issuers have three years to use the funds for qualified purposes, to allow for projects that take longer than one year to complete. Once the bonds have been issued, at least 95 percent of the proceeds must be expended for qualifying purposes (brownfields cleanup, open space preservation, water quality improvements) within three years. (Up to 5% of the bond proceeds can be used for administrative costs such as legal

fees, consultants, planning expenses, etc.) Any property financed with bond proceeds must be used for a qualified purpose for at least a 15-year period after the date the bond was issued.

10) Is the community required to keep the land in the same use after the fifteen year term of the bond expires?

To provide communities with the flexibility to respond to changing circumstances, this program allows communities to change the use of the land (sell a park financed with Better America Bonds to a developer who builds retail space on the land, for example) after the fifteen year term is up and the principal is repaid. We do not expect that many communities will change the use after fifteen years, but in certain cases it might make sense, either for environmental or economic reasons, for the community to do so. To provide a check and balance system, however, before a community can change the use it must allow any 501(c)(3) organizations that are tax exempt for environmental protection purposes the right of first refusal to purchase the land. The government would have to sell the land to a willing non-profit for the same price at which it was purchased originally. If no qualified buyer is found, the land could then be sold at its fair value for other uses.

11) How will small and rural communities with limited financial capacity be able to participate under Better America Bonds?

EPA will design the Better America Bonds program to accommodate all types of communities -- large, small, urban, suburban, and rural. As EPA develops this initiative, we will include small communities in our outreach both to provide information about the program and to seek advice as to how to structure the program.

We plan to give all communities fair and equal access to these resources. We understand that small and rural communities may not have the institutional capacity to issue bonds. We will work to develop effective, practical options for all local governments. For instance, under this program, it will be possible for communities to pool their debt at the regional or state level, allowing them to lower administrative and issuance costs.

Small communities will also be able to take advantage of the provision which allows for up to 5% of their bonding authority to be used for administrative expenses such as planning, legal fees, assessments, etc.

12) Why was EPA put in charge of Better America Bonds?

To ensure a broad range of expertise, EPA will chair a panel of departments and agencies including HUD, USDA,

Interior, FEMA, and Treasury. EPA will work closely with them on the design of the program, the selection criteria, the application process, and the awarding of bonding authority.

As the agency responsible for protecting public health by cleaning up our air, water and land, and ensuring that all Americans have access to a clean and healthy environment, EPA is best suited to help communities meet the stated goals of the program -- protecting water quality, cleaning up brownfields for reuse, and preserving green space. The Better America Bonds program builds upon EPA's successful existing programs that work with communities to improve local water quality and to clean up brownfields sites so that they can be returned to productive community use.

13) What resources will EPA use to run the Better America Bonds program?

The Agency intends to administer this program in a cost effective manner and anticipates being able to absorb administrative expenses with existing agency resources. The Agency did not seek any new resources in EPA's FY 2000 budget request to run this program.

There are several factors supporting this approach. First, as stated by the Administrator, EPA does not intend to issue any regulations for this program. Instead, EPA will develop basic guidance documents to assist communities in applying for bonding authority. Second, the program will involve several current Agency programs such as the Brownfields office and various water quality programs. Furthermore, the Agency currently manages various bond-related programs such as the Clean Water State Revolving Fund and maintains an Environmental Finance office. The Agency would draw upon the significant expertise in these and other programs to run the Better America Bonds program. Finally, parts of this program will be managed by the Treasury Department (including enforcement by the Internal Revenue Service.)

14) What changes in the law need to be made to establish Better America Bonds?

To create the tax credit mechanism for the Better America Bonds program, the tax code needs to be amended. This can be done by Congress, and we anticipate that bills to create the program will be introduced in both the U.S. Senate and U.S. House in the near future. Assuming that those bills pass, President Clinton would then need to sign it into law.

FINANCIAL QUESTIONS

(1) How does a tax credit bond work?

The Better America Bonds are tax credit bonds, a relatively new type of bond. The financial and tax features of the Better America Bonds will be structured similarly to the proposed Qualified School Modernization Bonds and the revised

Qualified Zone Academy Bonds. What distinguishes tax credit bonds from typical corporate or municipal bonds is that the lender, known as the purchaser or bondholder, receives tax credits from the federal government rather than interest payments from the issuer (state, tribal, or local government). The bond issuers would be responsible only for repaying the principal amount at maturity of the 15 year term of the bond. The five year cost of the tax credits is \$683 million.

The bonds will be similar to municipal bonds in that the issuers must be governmental entities with the ability to incur debt. Up to \$1.9 billion in bonding authority per year for five years will be allocated to communities by EPA.

(2) Why create this new type of bond?

Tax credit bonds provide a much deeper subsidy to state, local and tribal governments because the entire interest is paid by the federal government in the form of tax credits to the lender.

For example, EPA and the Treasury Department estimate that a community that issues a one million dollar tax exempt bond would pay roughly \$93,000 per year to service the debt, whereas a community with a tax credit bond would pay only \$46,000 per year. That is an annual savings of \$47,000, or 50%. Over the fifteen year life of the bond, the savings add up to \$702,000. In terms of the overall program, we estimate that the interest savings afforded these governments would be in the range of \$4 to \$6 billion over the lifetime of the bonds assuming that the \$9.5 billion in bond authority is fully used.

(3) What is the tax credit rate? How will it be set?

The tax credit rate establishes the amount of the tax credit that the bondholder (lender) will receive. The holder of a tax credit bond will receive, on the bond's anniversary date, annual Federal income tax credits equal to the applicable credit rate multiplied by the face amount of the bonds held. The Treasury Department will determine the rate in accordance with the Internal Revenue Code and its regulations. The tax credit rate for each bond will be established just prior to issuance. Treasury intends for the rate to be based on the average corporate AA bond yield of the preceding day.

(4) How will the principal be paid back?

Communities will have the same options to pay back Better America Bonds as they do for other debt. Issuers will need to repay the principal at the end of the fifteen year term of the bond. There are 3 ways issuers (state, tribal, or local government) can address this balloon payment:

- (1) An issuer could create a "sinking fund" upon

issuance from sources other than bond proceeds. For example, to repay a \$10 million bond that matures in 15 years, the city, county, tribe, or state could immediately invest \$4.6 million at 5.25%.

(2) The issuer could make annual payments to a sinking fund. The funds for the annual payments could be derived from existing revenue streams or new ones. The issuer would also receive a good financial deal in this case because interest would accrue in the sinking fund, thus further decreasing the need for new funding sources.

(3) The issuer could make the lump sum repayment using general funds at the end of the 15 year period.

5) Who will buy these bonds?

We expect Better America Bonds to appeal to a variety of potential investors, including mutual funds, because the bonds offer a competitive rate of return and are a relatively safe investment. These bonds will be competitive because the bondholder will receive a federal tax credit based on the AA corporate interest rate. The bonds will be a relatively safe investment because the risk of not being repaid is extremely slight. First, since the Federal government is providing a federal tax credit in lieu of the issuers having to make interest payments, the risk of not receiving the "interest" portion is nearly non-existent. Second, bondholders will receive fixed tax credits and therefore do not face the risk that tax-exempt bondholders carry if income tax rates drop. Third, many issuers will create sinking funds to repay the principal amount of the loan. Accordingly, the risk of not receiving repayment of principal at maturity should be very small.

6) Will these bonds be tradeable? Are they negotiable securities?

Yes, they can be traded in the secondary market. The tax credit would be transferable.

(7) Will the Federal government guarantee these bonds?

No, the principal is not guaranteed. However, the federal government provides a tax credit equal to the amount of the interest. Lenders may require state, tribal and local governments to establish a "sinking fund" into which they would pay an installment each year on the principal.

(8) Why will the tax credits be treated as taxable income?

Because the annual tax credits compensate the bondholder for lending money, Treasury will treat the credits as payments of interest for Federal income tax purposes, and

accordingly they will need to be included in the bondholder's gross income. To offset this cost, Treasury has set the tax credit rate equal to a taxable bond's interest rate, a higher rate to compensate the bondholder for this cost.

9) How will Better America Bond authority be awarded to communities that must pass local referendums before the community can issue the bonds?

State and local bonding laws and requirements must still be complied with by communities that receive bonding authority under the Better America Bonds program. EPA will manage the bond authority award process in a way that will provide flexibility to States, local governments and tribes. Potential bond issuers will have the option of either coming to EPA prior to or after the required bond referendum. EPA could commit bonding authority to a community contingent on the passage of the local referendum. Alternatively, communities could pass referendums and then seek EPA approval to issue Better America Bonds. Furthermore, they could choose to design the referendum in such a way to make issuance of the debt obligation contingent on receiving tax credit bond authority (i.e. Better America Bonds authority.)

10) Are Better America Bonds subject to existing caps on communities' private activity bonds?

No. Better America Bonds are a new, separate program, outside the caps.

11) Some people have raised concerns that Better America Bonds and school modernization bonds are overly complex and will not provide true interest-free borrowing to communities because issuers will have to offer the bonds at a discount in order to attract buyers.

The Administration's economic advisors believe that if we provide the private sector a large enough incentive, it will create an efficient market for this type of debt. That is why the financing mechanism for Better America Bonds is very similar to the one for the school modernization proposal. Since these two initiatives and another education tax credit bond will provide tax credits on nearly \$35 billion in bonds, we believe that the private sector will develop the expertise necessary to make this financing mechanism an effective means to help states and local communities build more schools, preserve green spaces, clean up brownfields, and provide clean and safe water.

(12) How will these bonds work relative to the original Qualified Zone Academy Bonds (QZABs)?

The Better America Bonds will be structured similarly to the proposed Qualified School Modernization Bonds and the revised Qualified Zone Academy Bonds. The Qualified Zone Academy Bonds (QZABs) were first introduced in 1997. To date, they have had limited success. The Administration is proposing to revise QZABs to make them more attractive by dropping some restrictions.

From a financial perspective the Better America Bonds and the original QZABs are different in three important respects. First, only lenders are allowed to be eligible holders of QZABs, whereas anyone -- individuals, corporations, mutual funds -- are allowed to be eligible holders of Better America Bonds. Second, the original QZAB program had many restrictions on the use of the funds. Better America Bonds were structured without similar restrictions and with greater flexibility. Third, the original QZAB program is much smaller than the three proposed tax credit bond programs (Better America Bonds, Qualified School Modernization and the revised QZABs taken together.) The original QZAB program had a maximum bonding authority of \$800 million compared to the approximately \$35 billion bonding authority for all three programs being proposed. The Treasury Department believes that this increased amount will spur widespread interest in this new type of debt security.

13) Are there any differences between Better America Bonds and School Construction Bonds?

There is one key difference. School Construction Bonds will be allocated on a state by state formula while Better America Bonds will be awarded through a competitive process.

BROWNFIELDS QUESTIONS

1) Are there any circumstances limiting redevelopment of brownfields?

The Treasury Department requires that the bond program be created in a way that the benefits accrue to the public, not to private entities. Therefore, a privately owned brownfield site, once cleaned up, can only be used as open space or a park, available for public use. However, if a property is already owned by a state or local government, that government, representing the public, would receive the direct benefit of the bond, and once the cleanup is completed the property could be turned into open space or sold to a private entity for redevelopment. The proceeds from the sale could be used to repay the bond.

2) How will the Better America Bonds program work in conjunction with the existing Brownfields program?

Better America Bonds will further EPA's Brownfields initiatives by providing much needed flexible funding that

communities can use for brownfields activities. This program will complement EPA's already existing brownfields programs, adding an important funding source for site assessments and cleanups.

3) How are Better America Bonds different from the existing Brownfield program?

Better America Bonds provide additional funding with the added benefit of greater flexibility than current Brownfield funding sources. Currently EPA provides communities with pilot grants of up to \$200,000 for assessing and cleaning up brownfields sites. These grants are designed as "seed money" to help communities begin to deal with their brownfields problems. In addition, EPA has a brownfields revolving loan fund available to communities that already have received brownfields pilot grants. Bond proceeds could conceivably be larger and are more flexible, since any community is eligible to apply for bonding authority to clean up brownfields.

4) What level of cleanup will be required?

The assessment and remediation of brownfields properties through the Better America Bonds program will have to comply with Federal, State and local environmental regulations. Generally, brownfields cleanups are conducted under State programs and the cleanup levels vary by State and future land use.

5) Are brownfields pilots eligible? Are Federal, State or local Empowerment Zones and Enterprise Communities eligible?

Eligibility is not conditioned or limited by participation in other Federal programs. Any State, tribal or local government would be able to issue Better America Bonds upon approval of their application by EPA.

WATER QUALITY QUESTIONS

1) What is the relationship between Better America Bonds and the existing Clean Water State Revolving Loan Fund program (CWSRF)?

Although there are similarities between the two programs and the types of projects they could support, the Clean Water State Revolving Fund program is directed towards protecting public health and aquatic resources and can be used to finance wastewater treatment, non-point source pollution, and estuary protection activities. Better America Bonds are intended to serve a broader purpose: to acquire land, provide open space, protect and restore water quality and aquatic habitat and foster redevelopment of former industrial sites in urban areas. The CWSRF makes low and no interest loans with the loan repayment replenishing the fund so that it

"revolves" and can finance additional environmental improvement projects. Better America Bonds provide bonding authority and a tax credit to pay for the interest on the bonds. In addition, the CWSRFs are managed by the states, and loans or other types of assistance for water quality purposes are disbursed according to each state's priorities, with EPA providing support.

2) How will Better America Bonds work in conjunction with the existing Clean Water State Revolving Loan Fund (CWSRF)?

The two programs could work together in a number of ways. The CWSRF can be used to provide guarantees or purchase insurance for Better America Bonds to improve their creditworthiness. Or, Better America Bonds could be issued in conjunction with a CWSRF loan to leverage additional resources and get a better "bang for the buck." Finally, the CWSRF could be the entity that issues Better America Bonds at the state level.

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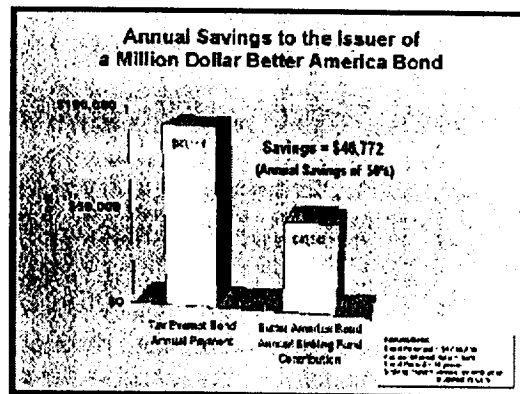
Financial Benefits for Communities

CHARTS COMPARING BETTER AMERICA BONDS TO TAX-EXEMPT MUNICIPAL BONDS

FACTS AND ASSUMPTIONS

GENERAL NOTE: The charts are based upon a few simple conservative assumptions. While interest rates, bond periods, etc., may vary in the real-world, the savings to issuers from not having to pay interest in any case remain very large.

CHART #1 - *Annual Savings to the Issuer of a Million Dollar Better America Bond*



[click on chart for larger version](#)

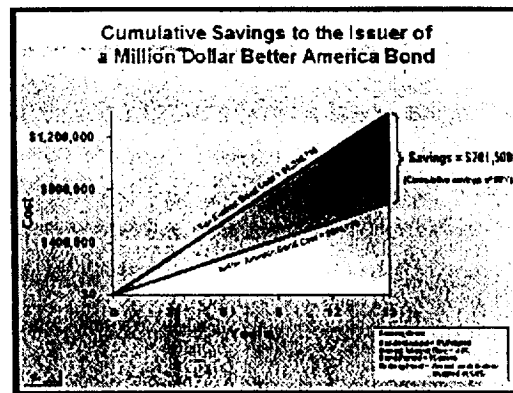
This chart shows the amount that issuers of a million dollar bond will save each year if they issue a Better America Bond instead of a comparable tax-exempt bond. The chart shows this by comparing the annual cost of the Better America Bond to the annual cost of the comparable tax-exempt bond. The important facts produced by the comparison are:

- An issuer must pay \$93,114 in principal and interest a year for fifteen years to pay off a \$1 million tax-exempt bond.
- An issuer can invest \$46,342 annually in a sinking fund at 5.0% to produce the \$1 million needed to repay the Better America Bondholder at the end of fifteen years.
- The issuer of a million dollar bond saves \$46,772 a year or 50% (\$93,114 - \$46,342) by issuing a Better America Bond instead of a tax-exempt bond.

The assumptions on which this annual comparison is based include:

- a \$1 million bond is sold at par (full-face value);
- the bond period is fifteen years;
- the tax-exempt bond's annual interest rate is 4.5%;
- the tax-exempt bond's annual debt service payments are a constant amount, consisting of gradually falling interest payments and gradually rising principal payments; and
- to repay the Better America Bond, the issuer annually contributes to a sinking fund that is invested at a 5.0% U.S. Treasury interest rate.

CHART #2 -- Cumulative Savings to the Issuer of a Million Dollar Better America Bond



[click on chart for larger version](#)

This second chart shows the total amount of money that issuers of a million dollar bond will save over a fifteen year period if they issue a Better America Bond instead of a comparable tax-exempt bond. The chart shows this cumulative savings to the issuer by comparing the total cost of the Better America Bond to the total cost of the comparable tax-exempt bond. The important facts produced by the cumulative comparison are:

- An issuer must pay \$1,396,710 in principal and interest over fifteen years to pay off a \$1 million tax-exempt bond.
- An issuer can invest \$46,342 per year (a total of \$695,130) in a sinking fund at 5.0% to produce the \$1 million needed to repay the Better America Bondholder at the end of fifteen years.
- The issuer of a million dollar bond saves \$701,580 or 50% over fifteen years (\$1,396,710 - \$695,130) by issuing a Better America Bond instead of a tax-exempt bond.

The assumptions made for this cumulative comparison include:

- a \$1 million bond is sold at par (full-face value);
- the bond period is fifteen years;
- the tax-exempt bond annual interest rate is 4.5%;
- the tax-exempt bond's annual debt service payments are a constant amount, consisting of gradually falling interest payments and gradually rising principal payments; and

- to repay the Better America Bond, the issuer annually contributes to a sinking fund that is invested at a 5.0% U.S. Treasury interest rate.

For more information on the administration's Better America Bonds proposal, see pages 29 to 32 of the Department of Treasury Green Book which can be downloaded from:

<http://www.treas.gov/press/releases/gnbk09.htm> 

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